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In the Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-666

UNITED STATES OF AMERICA, APPELLANT

v.

GLAXO GROUP LIMITED, AND IMPERIAL CHEMICAL INDUSTRIES, LIMITED

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

BRIEF FOR THE UNITED STATES

OPINIONS BELOW

The opinions of the district court accompanying the orders dated April 30, 1968 (J.S. App. 20 [1]), November 20, 1969 (J.S. App. 58–59), and April 30, 1970 (J.S. App. 60), are not officially reported.[2] The district court's opinions accompanying the partial judg-

[1] "J.S. App." refers to the appendix in the government's jurisdictional statement, in which opinions and judgments pertinent to this appeal are printed. "App." refers to the separately bound Appendix.

[2] The court's opinions with the orders of November 20, 1969, and April 30, 1970, are unofficially reported at 1970 Trade Cases ¶ 73,000 and 1970 Trade Cases ¶ 73,189.

ment dated June 4, 1969 (J.S. App. 21–57), and the final judgment dated June 17, 1971 (J.S. App. 61–69), are reported respectively at 302 F. Supp. 1 and 328 F. Supp. 709.

JURISDICTION

The judgment of the district court became final on August 12, 1971, and the notice of appeal (J.S. App. 77) was filed on September 21, 1971.[3] The Court noted probable jurisdiction on February 22, 1972 (405 U.S. 914). The jurisdiction of this Court is conferred by Section 2 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. 29. *United States* v. *United States Gypsum Co.*, 333 U.S. 364; *United States* v. *Singer Mfg. Co.*, 374 U.S. 174.

QUESTIONS PRESENTED

1. Whether in a government antitrust suit the United States has standing to challenge the validity of patents involved in illegal restraints of trade, even though the defendants do not rely on the patents to justify their conduct.

2. Whether upon finding in a government antitrust suit that the defendants illegally restrained trade by prohibiting the bulk sale of a patented drug by their licensee-customers, the district court should have re-

[3] The district court entered partial judgments on June 4, 1969, November 20, 1969, and April 30, 1970, and a "Final Judgment" (J.S. App. 70–74) on June 17, 1971. The court's "Declaration" clarifying the final judgment (J.S. App. 75) was entered on August 12, 1971. A notice of appeal from the court's judgment of June 17, 1971 (J.S. App. 76), was filed on August 17, 1971. By an order filed March 21, 1972 (App. 466), the district court reopened and modified the judgment regarding a matter not involved in this appeal.

quired the defendants to sell the drug on reasonable and nondiscriminatory terms to all bona fide applicants and to license the patents relating to the product at reasonable royalties.

STATUTES INVOLVED

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1, provides in pertinent part:

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal * * *.

Section 4 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 4, provides in pertinent part:

> The several district courts of the United States are invested with jurisdiction to prevent and restrain violations of [this Act] * * *.

STATEMENT

This is a direct appeal by the United States in a civil antitrust case. The district court ruled that the appellees, Glaxo Group, Ltd. ("Glaxo") and Imperial Chemical Industries, Ltd. ("ICI"), violated Section 1 of the Sherman Act by prohibiting their respective licensee-customers from selling the patented drug "griseofulvin" in bulk, and by agreeing with each other that ICI would impose such a prohibition on its licensee-customers. It enjoined the prohibition against bulk sales, but refused to require the compulsory selling or patent licensing that the government sought. The court dismissed the government's complaint insofar as it challenged the validity of ICI's griseofulvin

patent and denied the government's motion to amend its complaint to challenge the validity of one of Glaxo's patents.

The appeal is limited to that portion of the judgment concerning the challenge of patent validity and to the court's refusal to require the appellees to sell the drug on nondiscriminatory terms and to license patents relating to the drug at reasonable royalties.

A. THE RESTRAINTS OF TRADE AND PATENTS INVOLVED

Glaxo and ICI are British drug companies engaged in the manufacture and sale of griseofulvin—an antibiotic drug product. There are no substitutes for griseofulvin in some of its medical uses (J.S. App. 26, Fdg. 3; App. 225). Glaxo and ICI own a number of patents relating to the manufacture or use of griseofulvin (J.S. App. 25–26, Fdgs. 1–3; App. 52, 55, 65). Annual sales of the drug in the United States are about $8 million.[4]

About 1957, Glaxo and ICI began negotiations which in 1960 culminated in the execution of an agreement to pool their various patents relating to griseofulvin (App. 73, 74, 78–79, 126–139). Under the 1960 agreement, ICI agreed to prohibit its licensees and customers from selling griseofulvin in bulk form and to require that they sell it only in dosage form (App.

[4] In 1967, sales to the United States government were slightly less than $2 million, and nongovernmental sales were about $6 million (App. 237). According to an estimate furnished by ICI's licensee-customer, 1968 and 1969 total sales were each approximately $7 million (App. 355).

126–127, 132–132a).[5] ICI then entered into an exclusive distributorship-patent license agreement with American Home Products Corporation ("AMHO"),[6] and Glaxo entered into similar agreements with Schering Corporation ("Schering") and Johnson & Johnson, Inc. ("J&J") (J.S. App. 26–27, 58, 60, 61; App. 97, 111, 149). These contracts authorized the licensees to make, use, and sell griseofulvin under any of the patents pooled by the appellees and to secure bulk supplies of griseofulvin from Glaxo or ICI, but they prohibited the licensees from selling the drug in bulk (J.S. App. 26–27, 58–59; App. 102, 116, 150).[7]

Until this suit was brought, the three major drug companies which are the appellees' licensee-customers—AMHO, Schering, and J&J—accounted for all sales of griseofulvin in the United States.[8] At the time the record closed these three accounted for about 98½ percent of such sales in this country (App. 221, 228; see App. 384).

In practice, the licensees have purchased bulk supplies of griseofulvin from Glaxo and ICI and have not manufactured it themselves. Schering and J&J,

[5] The product is manufactured in bulk form. It is then mixed with inert ingredients to dilute it to the desired strength, and is manufactured into dosage form—tablets or capsules. The drug is then ready to be administered to human or animal patients (see J.S. App. 26, Fdg. 3).

[6] AMHO is at times referred to in the record as "Ayerst," which is the corporate division of AMHO that is involved in this case.

[7] Glaxo's agreements also prohibited private-label sales by requiring distribution to be made by the licensee "solely under its own corporate name" (App. 100, 114).

[8] In 1967, AMHO had about 15 percent of sales; Schering, 47 percent; and J&J, 38 percent (App. 237).

Glaxo's licensees, bought bulk supplies of griseofulvin from Glaxo, added inert ingredients, and then prepared the mixture into dosage form (tablets or capsules). AMHO, ICI's licensee, did the same and at times also performed an additional manufacturing process under Glaxo's "microsize" patent before converting the mixture into dosage form (App. 54, 57, 68, 157, 348, 355). The licensees sell the finished, dosage-form product under their respective trademarks, and they advertise and promote it through detail men and other means (App. 216, 356).

Griseofulvin itself is unpatented and unpatentable (J.S. App. 26, Fdg. 3). It has long been used in agriculture to treat fungus diseases in plants (App. 29, 30; see App. 262–263). ICI discovered that the drug could also cure certain external fungus diseases of humans and animals when administered internally. It sought and obtained a patent based on two types of claims—(1) a method of curing humans or animals of external fungus diseases by administering "an effective amount of griseofulvin" to them internally; and (2) a capsule, tablet, or pill containing an effective amount of griseofulvin (App. 34–36).[9] The first are method, or use, claims, while the second are product claims.

The principal Glaxo patent involved here covers an improved (finely ground up, or "microsize") form of griseofulvin (App. 42–43).[10] This form is more effec-

[9] U.S. Pat. No. 2, 900,204, issued August 18, 1959. This is the ICI patent which the government alleged is invalid (see App. 7–8).

[10] U.S. Pat. No. 3,330,727, issued July 11, 1967. This is the Glaxo patent which the government alleged is invalid (see App. 24–25).

tive and thus commercially more significant than the regular or coarse size (App. 159, 168; compare App. 61 with App. 62).

B. THE PROCEEDINGS IN THE DISTRICT COURT

On March 4, 1968, the government filed a civil antitrust complaint in the United States District Court for the District of Columbia, charging that Glaxo and ICI had violated Section 1 of the Sherman Act.[11] The complaint alleged that they had combined their patents and licensed them in an unreasonably restrictive manner by prohibiting licensees from selling griseofulvin in bulk form (App. 4–10). The case was decided, without receiving testimony, on various motions concerning the merits and the relief. The facts were developed in accompanying affidavits, exhibits, and interrogatories. The most significant of these motions and the decisions with respect to them are described below.

1. THE OPINION OF JUNE 4, 1969 (J.S. APP. 12–57)

The court categorized the various motions filed by the parties and decided in the June 4, 1969, opinion as the restraint-on-alienation package (J.S. App. 25–42), the jurisdiction-and-standing package (J.S. App. 42–50), the motion-to-amend-the-complaint package (J.S. App. 50–53), and the discovery package (J.S. 53–57). The last is not pertinent to this appeal.

[11] Since both defendants are British corporations, service was effectuated under the long-arm section of the Patent Code (35 U.S.C. 293). The district court sustained the validity of such service twice; an appeal from the first order (J.S. App. 20) was dismissed by the court of appeals (App. 464), and no appeal was taken from the second order (J.S. App. 59).

a. The restraint-on-alienation package

The court held that the ICI–AMHO agreement barring AMHO from selling in bulk form the griseofulvin that it bought from ICI was a *per se* violation of the Sherman Act. It rejected ICI's contention that the antitrust question was moot because the bulk sales provision had been eliminated from the contract, on the grounds that this was done only after ICI learned of the government's antitrust investigation shortly before this suit was filed, and that ICI regarded bulk sales restrictions justifiable with respect to other drugs in appropriate cases and had a general, routine practice of using such restrictions.

b. The jurisdiction-and-standing package

The government sought to show that the ICI patent was invalid. It contended that the "method" portion of the patent did not disclose how to practice the invention as required by Section 112 of the Patent Code.[12] It pointed out that the patent did not disclose or identify which particular diseases could and which could not be cured by administration of "effective amounts" of griseofulvin or what is an "effective

[12] Section 112 of the Patent Code (35 U.S.C. 112) requires that the patent disclose "a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, as shall set forth the best mode contemplated by the inventor of carrying out his invention."

amount" of the drug.[13] The government also argued that ICI's product claims were invalid because the product which they covered (pills, capsules, etc.) contained an unspecified "effective amount" of the drug to be used for unspecified fungus diseases, and because they claimed a product monopoly over a substance long in the public domain.[14]

ICI filed affidavits stating that it would not rely upon its patent in defense of the antitrust allegations. Upon ICI's motion, the court struck from the complaint the allegations that the patent was invalid. It ruled that the government lacked standing to challenge the validity of the patent where, as here, it was not relied on as a defense to the antitrust charges and there was no allegation that the patent was issued as a result of fraud on the Patent Office.

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[13] The advertising and promotional materials for the product indicate that for some fungus diseases it is ineffective (*e.g.*, actinmycosis, tinea versicolor) and for others it is effective (*e.g.*, tinea capitis, tinea unguium) (App. 36a), and that the proper length and intensity of dosage is different, depending on the particular disease (App. 36a–36d). This information is not contained in the patent (App. 30–36). The government relied on *Universal Oil Co.* v. *Globe Co.*, 322 U.S. 471, 484; *General Electric Co.* v. *Wabash Appliance Corp.*, 304 U.S. 364, 369; *Vitamin Technologists, Inc.* v. *Wisconsin Alumni Research Foundation*, 146 F.2d 941, 949–950 (C.A. 9), certiorari denied, 325 U.S. 876.

[14] The government contended that a new use of an old product could be protected, if at all, only by a method, or "use", patent rather than by a product patent. See *Agrashell, Inc.* v. *Hammons Products Co.*, 413 F.2d 89 (C.A. 8); *Application of Hack*, 245 F.2d 246, 248 (C.C.P.A.); *Sun Chemical Corp.* v. *Brenner*, 267 F. Supp. 617, 618 (D.D.C.), affirmed *per curiam*, 159 U.S.P.Q. 132 (C.A.D.C.); *Joseph Bancroft & Sons Co.* v. *Watson*, 170 F. Supp. 78, 80 (D.D.C.).

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c. The motion-to-amend-the-complaint package

The court refused to permit the government to amend its complaint to allege, *inter alia,* that Glaxo's patent on microsize griseofulvin was invalid (App. 24–25). The court held that the government lacked standing to challenge Glaxo's patent, since, as with the ICI patent, there was no claim that the patent had been procured by fraud or that it was being relied on in defense to the antitrust charges.[15]

2. THE DECISIONS OF NOVEMBER 20, 1969, AND APRIL 30, 1970 (J.S. APP. 58–60)

In its decision of November 20, 1969, the court held that Glaxo's license and supply agreements with Schering and J&J, prohibiting bulk sales of both patented and unpatented griseofulvin, were *per se* violations of the Sherman Act. In its April 30, 1970, decision, the court concluded that the ICI-Glaxo pooling agreement provision that ICI would use its best endeavors to prevent its licensees from selling griseofulvin in bulk also was a *per se* Sherman Act violation.

3. THE OPINION OF JUNE 17, 1971 (J.S. APP. 61–69)

The government sought a decree prohibiting any further bulk sale restrictions on all drugs marketed by the appellees, and requiring Glaxo and ICI to grant reasonable-royalty licenses under their various

[15] Glaxo did not, however, file affidavits stating that it would not rely upon its patent in defense of the antitrust allegations; the court subsequently held that Glaxo's bulk sales restrictions were illegal as applied both to patented and unpatented products (J.S. App. 58–59).

griseofulvin patents and to sell griseofulvin in bulk on nondiscriminatory terms. The court granted the prohibitory injunction, but refused to order any mandatory sales and licensing relief.

a. In support of the proposed compulsory sales and licensing provisions, the government submitted evidence that during the period of the illegal combination the arrangements between Glaxo and ICI (J.S. App. 60, 61–62) assured that there would be no sales of the drug in bulk form to anyone except their licensee-customers.[16] The licensee-customers (AMHO, Schering, and J&J) were prohibited from reselling griseofulvin in bulk form; at the same time they were appellees' exclusive distributors in the United States, and appellees refused to sell the drug to anyone else in this country (App. 53, 59, 60, 69). Although the licensee-customers were permitted to make sales in bulk with appellees' consent, they either refused to resell the product or (in the case of AMHO after this suit was filed) offered it at prohibitively high prices (App. 168, 182, 184, 220–221, 227–229).

Various generic and independent drug companies were unable to secure supplies of griseofulvin (see, *e.g.*, App. 54–55). The government relied on evidence from four such firms—two small drug companies that market their products under their own brand names,

[16] The government submitted ICI memoranda showing that ICI agreed to Glaxo's proposal for imposing the bulk sale restriction upon AMHO on the basis that Glaxo impose the same restriction on its own licensees (App. 126–127, 132a). Originally, ICI had proposed an agreement with AMHO that contained no such restriction, which Glaxo rejected (App. 231, 235).

which they promote and advertise (see App. 165, 224–225), and two other small firms that market drugs on a generic or private label (rather than a brand-name) basis. The latter sell drugs under generic names,[17] and compete on the basis of price instead of (as the major firms do) through extensive advertising and promotion (App. 158, 216, 220–222); they also make drugs for other drug companies which then market the product under their respective private brand names (App. 215–216).[18]

Glaxo and ICI, as well as their American licensee-customers, refused to sell griseofulvin to these four firms, either in bulk for manufacture into dosage form or in dosage form for resale as such (App. 159, 162, 164, 167–169, 177, 182, 184, 193, 226). After the present suit was filed, AMHO offered to sell griseofulvin to some of them, but only at prices which were so high in comparison with appellees' prices to their licensee-customers that the independent customer could not have marketed the drug profitably (App. 168, 170, 218, 220–222, 226–229; see App. 386–388).

The independent drug companies that unsuccessfully tried to obtain griseofulvin from the appellees

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[17] See generally *Abbott Laboratories* v. *Gardner*, 387 U.S. 136, 138 (description of generic names and operations); see also *id.* at 201 (Mr. Justice Clark) dissenting.

[18] The district court pointed out with respect to the generic and private label drug firms (J.S. App. 67, n. 24):

> These firms, because of their lower advertising and operating expenses offer drugs at lower prices than do the larger concerns which market their product under their own tradenames. The independent companies must be able to offer significant price reductions to compete effectively with the more highly promoted tradenamed drugs.

and their licensee-customers stated that if they could obtain the drug at a nondiscriminatory price (that is, one approximately equal to that which the appellees charged their licensee-customers), they would market the product at lower prices and with better service than the licensee-customers (App. 159, 170, 216, 218, 222, 225, 229). One official stated that the prices for which the licensee-customers market the drug are more than one-half again higher than the prices which he would charge if he could buy the drug at a nondiscriminatory price (App. 222).[19]

The government also presented uncontroverted evidence that the microsize form of griseofulvin (covered by Glaxo's patent on microsize griseofulvin) is more readily marketable, and consequently commercially more significant, than the regular form of the drug (App. 159, 168; see App. 61–62). Glaxo has refused to issue any additional licenses under its patent, and

[19] Glaxo sold griseofulvin in bulk to its licensees for $60 per kilogram (App. 63), while ICI charged AMHO $78 per kilogram (App. 48). The licensees sell to retail druggists at $12 per one hundred capsules of 250 milligrams (equivalent to $480 per kilogram of griseofulvin) (App. 222, 238). The president of an independent firm (Biocraft Laboratories) stated that, on the basis of such bulk prices and his normal markups, he would sell to a distributor for $3.09 per one hundred capsules of 250 milligrams (based on the Glaxo bulk price) or $3.85 per one hundred (based on the ICI bulk price), and that the distributor could resell to a druggist at considerably less than two-thirds the price charged by the licensee-customers and still make "a handsome profit" (App. 222; see also App. 387, 389).

microsize griseofulvin is not available from any other source in the United States.[20]

b. The licensee-customers stated in affidavits that they had not been influenced by their agreements with the appellees in deciding not to sell griseofulvin in bulk to independent drug companies. Based on this the appellees argued that compulsory bulk sales relief was unnecessary and inappropriate, since they and their licensee-customers would not have sold griseofulvin in bulk even without the illegal agreement not to do so (see App. 322, 372).

The government submitted documents showing that the licensee-customers were aware that they were being licensed on the same basis (App. 87, 88) and subject to the same bulk sales restrictions (App. 102, 116); that they jointly negotiated the licenses with Glaxo (App. 73–74, 80–84, 87–96); and that they jointly opposed Glaxo's granting a griseofulvin license to a third drug company, lest that company "press Glaxo continuously to permit general bulk sales" (App. 83). The government also introduced the licensee-customers' sales records, showing that they sold substantial amounts of other drug products in

[20] In its answers to interrogatories, Glaxo stated that it would not sell or license microsize griseofulvin to any additional persons (App. 68–69; see App. 164). In addition to the appellees, there are five foreign manufacturers of griseofulvin, all of whom are licensees of Glaxo. Under Glaxo's arrangements with these licensees, none is permitted to sell bulk griseofulvin in any form to, or for sale to, persons in the United States (App. 66–67). Although after this suit was brought ICI offered to license its patent, it declined to grant sublicenses on Glaxo's microsize patent (App. 53, 59) and still refuses to sell griseofulvin to independent drug companies (App. 60, 162, 168–169).

bulk form during the same period that they were refusing to sell griseofulvin in bulk (App. 239–244).[21]

c. The court held that "the threat of future violations is sufficient to warrant enjoining repetition of the illegal activity" (J.S. App. 63), and accordingly prohibited the future use of license or resale restrictions against bulk sales (see J.S. App. 71–72, 75). It refused, however, to order compulsory sales or patent licensing.

Noting that "the principal function of an antitrust injunction is to prevent future violations," the court concluded that "otherwise legitimate conduct" could be enjoined to achieve this goal only "where that conduct is so inextricably intertwined with the illegal conduct that effective relief cannot be afforded without its elimination or where the legitimate activity would be a cover for pursuing the forbidden activity" (J.S. App. 66). The court held that "to decree compulsory sales [and licensing] would be inappropriate in the circumstances of this case," since neither condition for barring otherwise legitimate conduct was

[21] The government contended that from these facts it should be inferred that the bulk sales restriction was effective in lessening competition by preventing bulk sales to drug firms selling on a generic basis, that the licensee-customers deliberately accepted the bulk sale restriction to accomplish this, and that the appellees and their licensee-customers had knowingly participated in a common plan to deny generic drug houses access to the product and thereby to stabilize its price. The district court rejected the government's contention on the ground that "the paucity of bulk sales of griseofulvin is equally compatible with the exercise of independent business judgment as with the hypothesis of a continuing conspiracy to prevent bulk sales" (J.S. App. 68, n. 26).

present here (J.S. App. 68). The effect of the compulsory sales and licensing provisions sought by the government, the court found, would be to destroy the exclusive distributorship arrangements between Glaxo and ICI and their United States distributors even though these arrangements were not unlawful (J.S. App. 67–68). An additional reason for refusing compulsory licensing was that "there has been no showing that either Glaxo or ICI has abused its patent rights and, therefore, they are entitled to exercise the limited monopoly rights granted by law to patent holders" (J.S. App. 69).

The court rejected the government's argument that noncompetitive market conditions necessitated "the broad scale relief requested" (J.S. App. 67). It concluded that the government's evidence showed only that there were other drug companies (the generic and private label firms) that would attempt to enter the market if they could purchase bulk supplies of griseofulvin from Glaxo or ICI on the same terms as the appellees' present customers, and did not indicate that "a current monopoly condition exists [in the griseofulvin market] as a result of the bulk resale restriction" or that "the exclusive distributorship arrangements are covers for the continuation of bulk resale restrictions" (J.S. App. 68).

SUMMARY OF ARGUMENT

I

In *United States* v. *United States Gypsum Co.*, 333 U.S. 364, this Court held that the United States has

the right in a government antitrust suit to challenge the validity of a patent asserted as a defense to charges of antitrust violations. The question in the present case is whether the government has the right to challenge patents involved in conduct that violates federal antitrust statutes where the patents are not relied on as a defense.

A. The patent laws grant a statutory monopoly to the holder of a patent. Invalid patents, however, are unwarranted burdens on free commerce. This Court recently emphasized "the public's interest in the elimination of specious patents" (*Lear, Inc.* v. *Adkins,* 395 U.S. 653, 674 n. 19), which has led the courts to "encourage authoritative testing of patent validity" (*Blonder-Tongue Labs., Inc.* v. *University Foundation,* 402 U.S. 313, 344). These and other decisions make clear that the paramount consideration in administering the patent system is protecting the public interest, and that the monopoly resulting from a patent is permitted only when "the prerequisites to obtaining a patent are strictly observed" (*Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225, 230) and there is a valid patent.

These principles have particular significance in this suit, which the government brought to protect the public from licensing practices found to be unlawful under the antitrust laws and involving the appellees' patents. The patents were essential to the illegal scheme alleged in the complaint. If the patents are invalid, there is a double impediment to free competition—the invalid patent and the antitrust violations

effectuated thereby—and both impediments should be eliminated.

B. There is no question that patents can be invalidated in private litigation, thus effectuating the public interest. Where the United States brings a proceeding to vindicate the public interest by enjoining antitrust violations, and those violations involve patents, it should be able to challenge the validity of those patents so as to protect the public interest in this respect as well. Moreover, it is unlikely that any private party would have sufficient incentive to challenge the patents in cases like this, so that if the government is not permitted to do so the public interest in eliminating invalid patents will likely go unvindicated.

Permitting such challenges would not involve an impermissible collateral review of the Patent Office's decision regarding patentability, since judicial review of that determination, even at the government's instance, is an established part of the patent system. Nor would this give the government a "roving commission" to challenge patents generally; this case involves only patents used in antitrust violations, and the practicalities of government would preclude any such broad-scale attack.

The rationale of *United States* v. *United States Gypsum Co., supra,* supports the government's right to challenge the validity of a patent involved in antitrust violations. In that case the Court pointed out that "because of the public interest in free competition" a patent licensee who is sued by his licensor in an antitrust suit may challenge the validity of the

patents; it concluded that "[i]n a suit to vindicate the public interest by enjoining violations of the Sherman Act, the United States should have the same opportunity to show that the asserted shield of patentability does not exist" (333 U.S. at 387–388). The "public interest in free competition" also requires that in such a suit the United States should be able to challenge patents that, although not relied on as a defense, are involved in the antitrust violations found.

United States v. *American Bell Telephone Co.*, 167 U.S. 224, upon which the district court relied, does not limit the government's right to challenge patents to situations where fraud or deceit is alleged. The restrictive language in that opinion so indicating was unnecessary to the decision there. In any event, the limited scope of the government's authority to challenge patents there stated is no longer sound and should not be followed.

II

Relief in an antitrust case must be "effective to restore competition" (*United States* v. *du Pont & Co.*, 366 U.S. 316, 326). "[T]he forces of competition must be nurtured to correct for" the illegal conduct (*Ford Motor Co.* v. *United States*, No. 71–113, decided March 29, 1972, slip op. p. 15). Mandatory selling on specified terms and compulsory licensing at reasonable charges—which are recognized remedies to cure antitrust violations involving patents—are essential in this case to redress effectively the violations found, by providing meaningful competition in the griseofulvin market.

The appellees and their American distributors have refused to make bulk sales of griseofulvin to interested customers in this country The griseofulvin market has no significant competition. The present licensees have virtually all the domestic market; they are the only domestic source, and other prospective sellers, who could be expected significantly to undersell the licensees, have been excluded. Mere cancellation of the bulk sale prohibitions holds insufficient likelihood of increased competition in the griseofulvin market, since the appellees and their distributors are unlikely to sell griseofulvin in bulk at competitive rates to independent drug companies unless ordered to do so. Only a guarantee that adequate supplies of the drug will be available on reasonable terms will pry open to competition this market, and the only way this can be assured is by requiring the appellees to sell it in bulk on non-discriminatory terms.

The relief also should require the appellees to grant nondiscriminatory licenses under their patents at reasonable royalties. The present licensees do not manufacture griseofulvin, and the supplying of the United States market depends on the appellees' willingness to sell the drug here. Complusory licensing would assure that the drug could be obtained in this country in bulk, and also would create competition at the manufacturing level.

ARGUMENT

I. THE UNITED STATES HAS STANDING IN A GOVERNMENT ANTITRUST SUIT TO CHALLENGE THE VALIDITY OF PATENTS INVOLVED IN ILLEGAL RESTRAINTS OF TRADE, EVEN THOUGH THE DEFENDANTS DO NOT RELY ON THEIR PATENTS TO JUSTIFY THEIR CONDUCT

The United States has the unquestioned right in a government antitrust case to challenge the validity of a patent asserted as a defense to charges of antitrust violations, under this Court's decision in *United States* v. *United States Gypsum Co.*, 333 U.S. 364.[22] The question in this case is whether the government may challenge patents which, although not raised in defense, underlie conduct that violates the antitrust laws. We submit that the principle of *Gypsum*, and the decisions of this Court favoring authoritative testing of patent validity and protection by the federal government of the public interest in assuring that the national patent system covers only valid patents, support the government's right to do so.

The *Gypsum* case was a government antitrust suit alleging that the defendants had unlawfully agreed to stabilize the price of their patented products. The defendants "admit[ted] that in the absence of whatever protection is afforded by valid patents the licensing arrangements * * * would be in violation of the Sherman Act," and accordingly the government sought

[22] The government also may challenge a patent on the ground that it was procured by fraud (see J.S. App. 43–45). There was no allegation of fraudulent procurement in this case.

to amend its complaint to allege that the patents were invalid (333 U.S. at 386–387). The district court held that the government was estopped to challenge the validity of the patents on the theory that such an attack "would constitute a review of action by the Commissioner of Patents, which was not authorized by statute," an issue which it thought "was controlled by *United States* v. *Bell Telephone Co.*, 167 U.S. 224" (*id.* at 387).

Although this Court recognized that "this issue need not be decided to dispose of this case"—since it held that even if the patents were valid the defendants violated the Sherman Act by using the patents in a licensing program to monopolize the industry—it nevertheless concluded that "it seems inadvisable to leave the decision [on this issue] as a precedent" (*ibid.*). The Court pointed out that in an antitrust suit instituted by a licensee against his licensor it was settled that "the licensee may attack the validity of the patent under which he was licensed, because of the public interest in free competition, even though the licensee has agreed in his license not to do so"; it then ruled that "[i]n a suit to vindicate the public interest by enjoining violations of the Sherman Act, the United States should have the same opportunity to show that the asserted shield of patentability does not exist" (*id.* at 387–388).[23]

In the present case the court below held that the *Gypsum* rationale applies only where the defendant-patentee defends its practices as permissible exercises

[23] Accord, *Nachman Spring-Filled Corporation* v. *Kay Mfg. Co.*, 139 F. 2d 781, 784 (C.A. 2).

of patent rights and hence shielded from the antitrust laws by the statutory patent monopoly. Since Glaxo and ICI had not relied on their patents as a defense to the antitrust charges, the district court concluded that *Gypsum* was "inapposite" (J.S. App. 43). In its view, "the issue is whether the United States can challenge ICI's patent independent of any antitrust claims" (*ibid.*).

We disagree with both the court's interpretation of *Gypsum* and its characterization of the issue presented. The government's challenge to the patents was made in a government antitrust proceeding, and the defendant-patentees were held to have unreasonably restrained trade in violation of the antitrust laws by practices involving those patents. In this context the patent validity question is not "independent" of the antitrust charges, and the government should be permitted to show that the patents are invalid whether or not they are raised as a defense.

A. A STRONG PUBLIC POLICY FAVORS JUDICIAL TESTING OF PATENT VALIDITY AND INVALIDATION OF SPECIOUS PATENTS TO ELIMINATE UNJUSTIFIED MONOPOLIES

1. The patent laws which Congress has enacted pursuant to its constitutional authority (Article I, Sec. 8, cl. 8) grant the holder of a patent a statutory monopoly. It is settled, however, that the monopolistic consequences resulting from a patent are justified only where the prerequisites to obtaining the patent have been strictly observed. See, *e.g., Blonder-Tongue Labs., Inc.* v. *University Foundation,* 402 U.S. 313, 343-344; *Graham* v. *John Deere Co.,* 383 U.S. 1, 5-6;

Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225, 230–231. This gives effect to the "strong federal policy favoring the full and free use of ideas in the public domain," which "requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent." *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 674, 668;[24] see, also, *Deep South Packing Co.* v. *Laitram Corp.*, No. 71–315, decided May 30, 1972.

Thus, invalid patents—such as those which do not embody true invention—are unwarranted burdens on free commerce which ought to be eliminated. "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly * * *." *Pope Mfg. Co.* v. *Gormully*, 144 U.S. 224, 234. This Court recently emphasized "*Pope's* powerful argument" and "the public's interest in the elimination of specious patents" (*Lear, Inc.* v. *Adkins, supra*, 395 U.S. at 664, 674 n. 19).[25]

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[24] The Court granted certiorari in *Lear* to reconsider the validity of the licensee estoppel rule "in the light of our recent decisions emphasizing the strong federal policy favoring free competition in ideas which do not merit patent protection" (395 U.S. at 656).

[25] The Court explained that "the policy of the patent laws would be frustrated if a manufacturer was required to pay for the use of information which, under the patent statutes, was the property of all," and therefore that invalid patents should be eliminated so that "the public may [not] continually be required to pay tribute to would-be monopolists without need or justification" (395 U.S. at 665, 670). See *Automatic Radio Co.* v. *Hazeltine, Inc.*, 339 U.S. 827, 840 (Mr. Justice Douglas, dissenting).

In recognition both of the policy favoring free use of ideas in the public domain and of the anomaly of allowing patent monopolies on ideas "that [fail] to meet the congressionally imposed criteria of patentability," this Court has "encourage[d] authoritative testing of patent validity." *Blonder-Tongue Labs., Inc.* v. *University Foundation, supra,* 402 U.S. at 343, 344. Thus, in a series of decisions culminating in *Lear,* the courts have held that a patent licensee may challenge the validity of the patent under which it is licensed. Patent validity also may be tested in a declaratory judgment action brought by an unlicensed competitive manufacturer even though the patentee has not brought an infringement suit. *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.,* 342 U.S. 180.[26] Finally, a defendant in an infringement suit may assert a counterclaim for monopolization in violation of Section 2 of the Sherman Act based upon the mainte-

[26] Manufacturers that intend to infringe the patent or take other action prejudicial to the interests of the patentee (*Welch* v. *Grindle,* 251 F. 2d 671 (C.A. 9)), or whose customers have been threatened with suit (*Treemond Co.* v. *Schering Corp.,* 122 F. 2d 702 (C.A. 3); *National Coupling Co.* v. *Press-Seal Corp.,* 323 F. 2d 629 (C.A. 7)), may initiate a declaratory judgment action to test the patent's validity. One who has a reasonable apprehension that the patentee will sue him for infringement also can bring such a suit. *Dewey & Almy Chemical Co.* v. *American Anode, Inc.,* 137 F. 2d 68 (C.A. 3), certiorari denied, 320 U.S. 761 (infringement suit already brought against third party); *Thiokol Chemical Corp.* v. *Burlington Industries, Inc.,* 319 F. Supp. 218 (D. Del.) (license terminated); *Medtronics, Inc.* v. *American Optical Corp.,* 327 F. Supp. 1327 (D. Minn.) (licensee has standing without terminating license); *E. W. Bliss Co.* v. *Cold Metal Products Co.,* 137 F. Supp. 676 (N.D. Ohio) (implicit threat in "cordial" and "circumspect" letter).

nance and enforcement of a patent that is invalid because it was procured by fraud upon the Patent Office. *Walker Process Equipment, Inc.* v. *Food Machinery & Chemical Corp.*, 382 U.S. 172.[27]

These decisions give effect, explicitly or implicitly, to the paramount consideration in administering the patent system of protecting the public interest. See, *e.g.*, *Pennock* v. *Dialogue*, 2 Pet. 1; *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S 502; *Mercoid Corp* v. *Mid-Continent Investment Co.*, 320 U.S. 661; *Katzinger Co.* v. *Chicago Mfg. Co.*, 329 U.S. 394, 400–401. For "in rewarding useful invention, the 'rights and welfare of the community must be fairly dealt with and effectively guarded.' *Kendall* v. *Winsor*, 21 How. 322, 329 (1859)." *Sears, Roebuck & Co.* v. *Stiffel Co.*, *supra*, 376 U.S. at 230. "To that end the prerequisites to obtaining a patent are strictly observed" (*ibid.*), to insure that the monopoly resulting from a patent is permitted only when there is a true invention. Judicial testing of patent validity is necessary to assure that unwarranted patents are eliminated. The strong federal policy on which these

[27] In *Sinclair & Carroll Co.* v. *Interchemical Corp.*, 325 U.S. 327, 330, the Court admonished that in infringement cases the trial court should determine patent invalidity, even if a particular case could be disposed of on non-infringement grounds, because the question of patent "validity has the greater public importance." Accord, *Muncie Gear Co.* v. *Outboard Co.*, 315 U.S. 759, 768. See also *Haughey* v. *Lee*, 151 U.S. 282, 285 (unsuccessful patent applicant should not be precluded from challenging validity of patent issued to another applicant since his efforts "relieve the public from an asserted monopoly"); accord, *Paramount Corp.* v. *American Tri-Ergon Corp.*, 294 U.S. 464, 477.

principles are grounded exists to protect the public interest from unjust impositions and exactions.[28]

Appellees' patents formed the basis for license agreements which unlawfully restrained trade. If those patents are invalid, as we have alleged, they should not be permitted to continue on the books, masquerading as valid ones and commanding monopoly tribute from the public. Instead, they are "a public menace," and accordingly they should be struck down so that the public is relieved from their economic burden (*Aero Spark Plug Co.* v. *B. G. Corp.*, 130 F. 2d 290, 294 (C.A. 2) (concurring opinion by Judge Frank)).

2. The principles discussed above have particular significance in the context of this case.

The present case is an antitrust suit brought by the government to protect the public from restrictive licensing practices involving the defendant-patentees' patents. In cases like this, the patents involved generally are of major importance in furthering the allegedly unlawful patent licensing practices; they give the defendants the power which enables them to impose the restraints of trade. That is the situation

[28] Mr. Justice White explained the public interest at stake in his concurring opinion in *United States* v. *Singer Mfg. Co.*, 374 U.S. 174. There is "a public interest [here] in granting patent monopolies only when progress of the useful arts and of science will be furthered because as the consideration for its grant the public is given a novel and useful invention. * * * When there is no novelty and the public parts with the monopoly grant for no return, the public has been imposed upon and the patent clause subverted" (374 U.S. at 199–200).

here. The patents were essential to the appellees' scheme to violate the antitrust laws.

They were the basis for the ICI-Glaxo patent pool agreement in the first place—ICI paid Glaxo for a license under Glaxo's patents, by granting Glaxo a license under its patent. Without the patents the appellees could not have maintained their monopoly in the United States over the drug and kept it out of the hands of generic sellers and price-cutters. ICI's patent prevented others from making bulk form griseofulvin into dosage form. Similarly, Glaxo's patent on microsize griseofulvin protected the drug in its most marketable form. The patents thus enabled the appellees to suppress the manufacture and sale of griseofulvin in useable form by threatening patent infringement proceedings, and consequently made the restraints effective.

This Court in *Lear* stated that "the grant of monopoly power to a patent owner constitute[s] a limited exception to the general federal policy [reflected in the Sherman Act] favoring free competition" (395 U.S. at 663). While this means that monopoly effects will be permitted with respect to a valid patent, there is no justification for the patent monopoly or for monopolistic practices and consequences based thereon where the patent is invalid. For in that circumstance there is a double impediment to competition—the invalid patent [29] and the antitrust violations which it

[29] Since the court below dismissed the government's allegations concerning the validity of the patents on standing grounds, without any proof, it must be assumed that the patents are invalid. Cf. *Poller* v. *Columbia Broadcasting*, 368 U.S. 464, 473.

effectuates. It is important to the public that both impediments be eliminated.[30]

B. IN A GOVERNMENT CIVIL ANTITRUST SUIT THE UNITED STATES SHOULD BE PERMITTED TO CHALLENGE THE VALIDITY OF PATENTS THAT ARE INVOLVED IN THE ANTITRUST VIOLATIONS

1. *The public interest would be served by permitting such challenges*

The broad public interest in freeing the channels of commerce from invalid patents often is effectuated in suits by private litigants. As discussed above, the courts have "encourage[d] authoritative testing of patent validity" (*Blonder-Tongue, supra,* 402 U.S. at 344) in private suits, because the public interest at stake is so important. See the authorities cited *supra,* pp. 25–27; see also *Scott Paper Co.* v. *Marcalus Co.,* 326 U.S. 249, 255–257. In this situation the private suit serves an important public purpose, just as it frequently does in other areas of the law.[31]

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[30] Compare *American Cyanamid Co.*, FTC Dkt. 7211, 1967–70 Trade Reg. Rep. Transfer Binder, ¶ 18,077, pp. 20,504, 20,522 (dissenting statement of Commissioner Jones), affirmed on other grounds *sub nom. Charles Pfizer & Co.* v. *Federal Trade Commission*, 401 F. 2d 574 (C.A. 6), where it is suggested that collection of royalties under a "wrongfully procured and exploited" patent should be enjoined because it would confer an improper competitive advantage on the patentee.

[31] Compare *Eisenstadt* v. *Baird*, decided March 22, 1972, No. 70-71, slip op. at 5–7; *Barrows* v. *Jackson*, 346 U.S. 249. This Court in *Perma Life Mufflers, Inc.* v. *International Parts Corp.*, 392 U.S. 134, 139, pointed out that private suits have a significant place in antitrust matters, in that "the purposes of the antitrust laws are best served by insuring that the private action will be an ever-present threat to deter" violations of those laws. Accord, *Simpson* v. *Union Oil Co.*, 377 U.S. 13; *Kiefer-Stewart Co.* v. *Seagram & Sons*, 340 U.S. 211; *Quemos*

There is no question that the appellees' patents could be invalidated in private litigation. Yet the district court refused to allow the United States to challenge them. The result, paradoxically, is that effectuation of a *public* interest depends on a *private* suit, and cannot be accomplished in a proceeding which the United States brought to vindicate the public interest by enjoining violations of the antitrust laws. Where, as here, the violations also involve patents, the government should be able to challenge them so as to protect the public interest in this respect as well. See *United States* v. *Borden Co.*, 347 U.S. 514, 518.

In this case, moreover, it is unlikely that any private party would have sufficient incentive to challenge the patents. To be sure, "[l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery." *Lear, Inc.* v. *Adkins, supra,* 395 U.S. at 670. However, that is not a viable prospect here. The domestic licensees (AMHO, Schering, and J&J) and the

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Theatre Co. v. *Warner Bros. Pictures*, 35 F. Supp. 949, 950 (D.N.J.). Cf. also *Flast* v. *Cohen*, 392 U.S. 83 (Education Act of 1965); *Scripps-Howard Radio* v. *Commission*, 316 U.S. 4, 14 (Communications Act); *National Automatic Laundry & Cleaning Council* v. *Shultz*, 443 F. 2d 689, 693, (C.A.D.C.) (Fair Labor Standards Act); *Citizens Committee for Hudson Valley* v. *Volpe*, 425 F. 2d 97, 102 (C.A. 2) (Rivers and Harbors Act); *Scanwell Laboratories, Inc.* v. *Shaffer*, 424 F. 2d 859, 863–864 (C.A.D.C.) (Federal Aviation Administration contract regulations); *Reade* v. *Ewing*, 205 F. 2d 630, 632 (C.A. 2) (Food and Drug Act); *Associated Industries* v. *Ickes*, 134 F. 2d 694 (C.A. 2), vacated as moot, 320 U.S. 707 (Bituminous Coal Act).

appellees—who were one another's cross-licensees—have no interest in challenging the patents. On the contrary, ICI and Glaxo agreed in connection with their patent pooling arrangements not to challenge one another's patents or to permit any associate or any independent third party licensed by them to do so.[32]

AMHO, Schering and J&J are parties to the appellees' licensing/exclusive distributorship program. Since that program operates to their benefit, they have no desire to open the market to additional competition by challenging the patents.

None of the firms which have been denied griseofulvin or licenses[33] and no other potential entrant has brought suit. The share of the market which a potential entrant could probably obtain may not be sufficient to justify the high cost of patent litigation.[34] Thus, in the present case—as would be customary in circumstances where the government might initiate an antitrust suit to terminate restrictive patent licensing practices—no private party is likely to bring suit to

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[32] App. 134a (par. 9(a)).

[33] These firms generally are small, and hence may lack the financial resources to conduct patent litigation. See generally App. 165, 170, 215, 223, 224; see also *infra*, n. 34.

[34] Cf. *Blonder-Tongue Labs. Inc.* v. *University Foundation*, *supra*, where this Court pointed out that "the financial burden looming before one charged as a defendant in a complex infringement action [has been estimated] in terms of amounts that sometimes run to 'hundreds of thousands of dollars'" (402 U.S. at 336). The largest estimate of market share of griseofulvin sales that a new entrant could expect was approximately $1 million per year in gross sales, before deducting costs (for labor, materials, taxes, overhead, etc.). See App. 217, 221, 222.

invalidate the patents. The result of denying the government the right to challenge the patents is thus likely to be that the public interest in eliminating invalid patents will go unvindicated.

Allowing the government to make such challenges would not, as the court below concluded, amount to an improper "collateral attack" on a decision by the Patent Office (J.S. App. 47). Nor would it, as appellees argue, "fundamentally distort the statutory scheme that Congress has provided for review of patent issues" (Glaxo Motion to Affirm, p. 9). These concerns rest upon a misconception of the patent system which Congress has provided.

While the Patent Office issues a patent on the basis of its analysis and legal conclusion concerning patentability, its decision is "predicated on factors as to which reasonable men can differ widely," and the Patent Office "is often obliged to reach its decision in an *ex parte* proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity." *Lear, Inc.* v. *Adkins, supra,* 395 U.S. at 670. The Patent Office's determination of patentability is not final and conclusive. Rather, "Congress * * * lodg[ed] in the federal courts final authority to decide that question" (*Blonder-Tongue, supra,* 402 U.S. at 332).

Permitting the Attorney General to challenge patent validity in antitrust cases would not create any unseemly conflict between the Department of Justice and the Patent Office. The latter is not a party to suits

involving the validity of patents it has issued [35] and collateral review of patent validity is already an established element of the patent system.[36] Moreover, collateral review of patent validity at the instance of the United States is recognized, as the court below acknowledged, where the patent was procured by fraud or is asserted as a defense to antitrust charges. See *supra*, pp. 21–22, and *infra*, pp. 35–37. To permit the United States to challenge a patent in antitrust litigation directed against restrictive patent licensing arrangements would not involve a "fundamental" distortion or disruption of the patent system. On the contrary, it would simply recognize that this situation presents an appropriate occasion for exercise of the government's responsibility to eliminate an invalid patent.

Appellee Glaxo contends (Motion to Affirm, p. 9) that permitting the government to challenge patents involved in antitrust violations would give it a "roving commission" broadly to challenge any patents it deems invalid. This case, however, involves only the right of the government to challenge patents involved in antitrust violations, and there is no occasion to con-

[35] The Patent Office is directly involved in patent litigation only where judicial review is sought of its refusal to grant a patent. 35 U.S.C. 141–146.

[36] The Patent Code also provides for direct judicial review of Patent Office decisions, but only at the instance of a disappointed applicant to whom the Patent Office has refused to grant a patent (35 U.S.C. 141, 145). Other persons—for example, competitors, licensees, and even the government—cannot appeal from the decision of an examiner to grant a patent application. Their only remedy is by a collateral proceeding in a separate court action.

sider whether that authority should be broadened to permit challenges to patents that are not so used. In any event, the practicalities of government would preclude such a broad-scale attack on patents generally. The Department of Justice has neither the staff nor the funds to undertake such a program. Indeed, even in antitrust suits, challenges to patent validity generally would be made only in a narrow category of cases similar to this one, namely, suits brought under Sections 1 and 2 of the Sherman Act against restrictive licensing practices. During the years 1968 to 1972, the government brought fewer than ten of those suits, and alleged patent invalidity in only three of them.

2. The United States' authority to challenge patents in antitrust litigation is not limited to cases in which it alleges that the patents were procured by fraud

The court below held that since the appellees had not relied on their patents as a defense, the issue was whether the government could challenge the patents "independent of any antitrust claims" (J.S. App. 43). On this issue it ruled, chiefly on the authority of the third *Bell Telephone* case (167 U.S. 224), that the government "may only sue to cancel a patent when 'fraud or deceit' [on the Patent Office] is alleged" (J.S. App. 47).

As we have developed above, the government is not here seeking to challenge the patents "independent of any antitrust claims." The patents here challenged were directly involved in the antitrust violations found; they were the keystone upon which the appellees built their structure of licensing agreements that

were *per se* illegal because of the prohibition against bulk selling by the licensees.

In any event, the district court's reliance upon the *Bell Telephone* case was misplaced. *Bell* does not limit the government's right to challenge patents to situations where fraud or deceit is alleged. Moreover, the rationale of *United States* v. *United States Gypsum Co.*, 333 U.S. 364, which held that the Attorney General may challenge in an antitrust case patents relied on as a defense, also establishes his right to challenge patents not so relied on but involved in the antitrust violations. To the extent that the *Bell Telephone* case suggests the contrary, *Gypsum* has significantly weakened it. Finally, the ruling in *Bell Telephone* was dubious when rendered, and it has been significantly undermined by subsequent developments in the law. If *Bell Telephone* does limit the Attorney General's authority to challenge patents to cases of fraud and deceit, it is no longer sound and should not be followed.

a. *United States* v. *American Bell Telephone Co., 167 U.S. 224, Does Not Limit The Government's Authority to Challenge Patents to Cases Where It Alleges The Patents Were Procured by Fraud.*—In *United States* v. *American Bell Telephone Co.*, 128 U.S. 315 (*"Bell I"*), this Court held that the government may sue to cancel a fraudulently-procured patent, since the public interest required such action.[37] It quoted approvingly the discussion in *United States*

[37] The Court explained (128 U.S. at 370) that "The United States, by issuing the patents which are here sought to be annulled, has taken from the public rights of immense value

v. *Stone,* 2 Wall. 525, of the government's right to judicial review of the validity of a patent to government lands (128 U.S. 365):

> * * * Nor is fraud in the patentee the only ground upon which a bill will be sustained. Patents are sometimes issued unadvisably or by mistake, where the officer has no authority in law to grant them, or where another party has a higher equity and should have received the patent. In such cases, courts of law will pronounce them void. * * *

This broad proposition was confirmed in *United States* v. *American Bell Telephone Co.,* 159 U.S. 548 (*"Bell II"*). There, the Court described *Bell I* as having decided that where government officials issuing a patent "may have been imposed upon by fraud or deceit, or may have erred as to their power, or made mistakes in the instrument itself, the appropriate remedy is by proceedings by the United States against the patentee" (159 U.S. at 555).[38]

In the third *Bell Telephone* case, 167 U.S. 224 (*"Bell III"*), however, the Court stated that an "error of judgment on the part of the patent offi-

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and bestowed them on the patentee. In this respect the government and its officers are acting as the agents of the people, and have, under the authority of law vested in them, taken from the people this valuable privilege and conferred it as an exclusive right upon the patentee."

[38] The government challenged the ICI patent on two grounds: that the method claims did not comply with Section 112 of the Patent Code because they did not disclose how to practice the method; and that the product claims had the same defect and also covered nonstatutory subject matter (attempting to secure a product monopoly on a new use for an old product). See *supra,* pp. 8–9.

cials" was not enough to entitle the government to challenge the validity of a patent, because "[t]hat would be an attempt on the part of the courts in collateral attack to exercise an appellate jurisdiction over the decisions of the Patent Office, although no appellate jurisdiction has been by the statutes conferred" (167 U.S. at 269). The court below read this to mean that the government may sue to cancel a patent, or have it declared invalid, only if fraud or deceit is alleged (J.S. App. 47).

The restrictive language in *Bell III*—as the court below recognized (J.S. App. 46)—was unnecessary to the decision in that case, since the government contended there that the patent was invalid solely because it was fraudulently procured but then failed to prove fraud. That language is inapplicable to cases like this one, where the government sues "to vindicate the public interest by enjoining violations of the Sherman Act" (*United States* v. *United States Gypsum Co., supra,* 333 U.S. at 388) and the patent being challenged is involved in the antitrust violations found. In that circumstance, *Gypsum* teaches that *Bell III* is not controlling and that the government has the right to show that the patent is invalid.

b. *The Rationale of United States* v. *United States Gypsum Co., 333 U.S. 364, Which Held That the United States May Challenge in an Antitrust Case Patents Relied On As a Defense, Also Establishes Its Right to Challenge Patents Not so Relied on but Involved in The Antitrust Violations.*—In *Gypsum,* the government alleged that a patent licensing arrange-

ment in the gypsum industry violated Section 1 of the Sherman Act. The defendants admitted that their arrangement would violate the statute, but contended that their conduct was permitted by their patents. When the government sought to amend its complaint to challenge the patents' validity, the district court held that under *Bell III*, the government could not sue in equity for cancellation on the ground of invalidity.

On appeal, this Court deemed it "inadvisable to leave the decision as a precedent," even though "this issue need not be decided to dispose of this case" (333 U.S. at 387). It rejected the district court's conclusion. Noting that the government contended that "the defendants have violated the Sherman Act because they granted licenses under patents which in fact were invalid," it pointed out that "[i]f the government were to succeed in showing that the patents were in fact invalid, such a finding would not in itself result in a judgment for cancellation of the patents." *Id.* Compare *Becher* v. *Contoure Laboratories*, 279 U.S. 388.

This Court thus recognized that what the government was seeking in *Gypsum* was not to cancel the patents—which the government had sought in *Bell III*—but only to obtain an *in personam* determination that the patents were invalid. The effect of that determination, of course, would be to bar the defendants from asserting the patents as a defense in the antitrust case. Under the law as it then stood, that determination also would estop the defendants from asserting the validity of the patents in any other litigation with the government, but not in litigation with third

persons.[39] In the present case the government similarly is seeking only a determination of invalidity and not a cancellation of the patents.[39a] While it may be argued that this distinction is of little significance in light of this Court's recent decision in *Blonder-Tongue Labs, Inc.* v. *University Foundation,* 402 U.S. 313, which substantially broadened the scope of the collateral estoppel doctrine in patent litigation, we submit that the Court has not yet held that cancellation and a declaration of invalidity are legally equivalent.[40]

The district court apparently read *Gypsum* to hold that where there is no claim of fraud the government may challenge a patent in an antitrust case only where the patent is relied on as a defense (J.S. App. 42–43, 50). *Gypsum,* however, neither contains nor suggests any such restrictions. All the Court had to, and did, decide there was whether *Bell III* barred the United States from challenging a patent relied on as a defense. The Court had no need to, and did not, determine the corollary issue whether, where the patent was not so relied on but was involved in the antitrust violation, the government could challenge it in the antitrust litigation. That issue remains fully open

[39] Compare *Triplett* v. *Lowell,* 297 U.S. 638, with *Blonder-Tongue Labs, Inc.* v. *University Foundation,* 402 U.S. 313.

[39a] The government sought a declaration of invalidity, and an order either (1) that defendant dedicate and disclaim the patent or (2) that defendant not enforce the patent in any way (App. 9, 27). Compare *United States* v. *National Lead Co.,* 332 U.S. 319, 335–338.

[40] A cancellation operates to void the patent *ab initio* for all purposes and all persons. *United States* v. *Hartford Empire Co.,* 73 F. Supp. 979, 981 (D. Del.). The effect of an *in personam* determination of invalidity, in the light of *Blonder-Tongue*, may depend on the facts of the case. 402 U.S. at 333–334.

under *Gypsum*, and we submit that the rationale of *Gypsum* also requires that the government be permitted to challenge the patent in that situation.

The Court's rationale for permitting the United States to challenge the patents in *Gypsum* was as follows (333 U.S. 387–388):

> In an antitrust suit instituted by a licensee against his licensor we have repeatedly held that the licensee may attack the validity of the patent under which he was licensed, because of the public interest in free competition, even though the licensee has agreed in his license not to do so. *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173; *Katzinger Co.* v. *Chicago Mfg. Co.*, 329 U.S. 394; *MacGregor* v. *Westinghouse Co.*, 329 U.S. 402. In a suit to vindicate the public interest by enjoining violations of the Sherman Act, the United States should have the same opportunity to show that the asserted shield of patentability does not exist. * * *

The "public interest in free competition" is equally thwarted by the continued existence and enforcement of an invalid patent that is involved in an antitrust violation, whether or not the patent is relied upon as a defense to the antitrust charge. When the government has initiated suit to eliminate the antitrust violation, there is no sound policy reason why it should not be permitted to show during the litigation the invalidity of the patents involved in the antitrust violation. In this circumstance, "it does not seem * * * to be unfair to require a patentee to defend the Patent Office's judgment" (*Lear, supra*, 395 U.S. at 670). Indeed, it would be anomalous if the United

States, which represents the public interest, has less power to challenge invalid patent monopolies in government antitrust litigation than private parties have in private litigation.

c. *The Ruling in the Bell Telephone Case Was Dubious When Rendered, and Has Been Significantly Undermined by Subsequent Developments; It Should no Longer be Followed.*—For the foregoing reasons, we believe that the present case is within the rationale of *Gypsum,* and does not come under the restrictive language of *Bell III.* If the Court disagrees with this analysis, however, we submit that the limited scope of the government's authority to challenge patents stated in *Bell III* has been significantly undercut by this Court's more recent decisions and other legal developments, so that that case no longer is sound and should not be followed, at least insofar as it might preclude the government from challenging patents involved in antitrust violations.

(1). In *Bell III,* the Court distinguished its decisions permitting the United States to bring suit to cancel land patents which had been erroneously issued, on the ground that disposition of real estate was more significant to the public than a patent grant covering ideas, since "[t]he government parted with nothing by the [latter type of] patent" (167 U.S. at 239). This view conflicts both with prior holdings that an invention patent "take[s] from the public rights of immense value and bestow[s] them on the patentee' (*Bell I, supra,* 128 U.S. at 307), and subsequent rulings to the same effect. *E.g., Blonder-*

Tongue, supra, 402 U.S. at 343; *Lear, Inc.* v. *Adkins, supra; Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225, 229–231, see *Precision Instruments Co.* v. *Automotive Co.,* 324 U.S. 806, 815. These rights are as important, and indeed often more important, than the rights granted incident to a land patent.

(2). The Sherman Act was enacted only seven years before *Bell III* was decided, and was not discussed in the opinion. Since that time the decisions of this Court have emphasized the importance of the national policy favoring competition reflected in that Act in dealing with patent monopolies. Compare *Lear, supra,* 395 U.S. at 663, with *Bell III, supra,* 167 U.S. at 239. As the Court observed in *Sears, Roebuck & Co.* v. *Stiffel, supra,* "the patent system is one in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition." 376 U.S. at 230–231. See, also, *Mercoid Corp.* v. *Mid-Continent Co., supra,* 320 U.S. at 665 (collecting authorities). Taken together, these more recent decisions establish that the restrictive rule stated in *Bell III* "is today out of place" (*Blonder-Tongue, supra,* 402 U.S. at 350).

(3). If the United States were sued in the Court of Claims under 28 U.S.C. 1498 for the unauthorized use of a patent, the rule in *Bell III* would not bar it from defending the suit on the ground the patent is invalid. See Reviser's Note to 28 U.S.C. 1498. Similarly, there is no reason why the United States, before it attempted to use a patent, could not seek a declaratory judgment of invalidity in the same way that private parties may do. Cf. *Kerotest Mfg. Co.* v. *C-O-Two*

Fire Equipment Co., 342 U.S. 180, 185–186. The United States should not have less authority when it acts in its sovereign capacity to protect the public interest in seeking a declaration of invalidity than when it seeks such a declaration in connection with its own use of the patent.

(4). The United States has basic responsibility for the proper administration of the patent system. It also is responsible for judicial enforcement of the strong national policy against illegal monopolies and restraints of trade. Cf. 15 U.S.C. 4, 25; *United States* v. *Borden Co.*, 347 U.S. 514, 518–519. To permit the Attorney General to invalidate patents involved in antitrust violations would not only further his performance of those duties but would comport with his well-recognized authority to remove impediments to the free flow of commerce. Compare *Wyandotte Co.* v. *United States*, 389 U.S. 191, 201; *United States* v. *Republic Steel Corp.*, 362 U.S. 482, 492; *Sanitary District* v. *United States*, 266 U.S. 405, 426; *In re Debs*, 158 U.S. 564; *United States* v. *San Jacinto Tin Co.*, 125 U.S. 273. His authority to do so should not be denied, as the district court did (J.S. App. 42–50), on the basis of concepts of standing no longer current. Cf. *Flast* v. *Cohen*, 392 U.S. 83.

II. THE RELIEF ORDERED BY THE DISTRICT COURT IS INADEQUATE BECAUSE IT DOES NOT REQUIRE APPELLEES TO SELL GRISEOFULVIN IN BULK AND TO LICENSE THEIR GRISEOFULVIN PATENTS

The purpose of relief in an antitrust case is "so far as practicable, [to] cure the ill effects of the illegal

conduct, and assure the public freedom from its continuance." *United States* v. *United States Gypsum Co.*, 340 U.S. 76, 88. The decree must be "effective to restore competition." *United States* v. *du Pont & Co.*, 366 U.S. 316, 326; "the forces of competition must be nurtured to correct for" illegal conduct (*Ford Motor Co.* v. *United States*, No. 71-113, decided March 29, 1972, slip op., p. 15; see, also, *United States* v. *National Lead Co.*, 332 U.S. 319, 367-368 (Mr. Justice Douglas, dissenting). Moreover, "once the Government has successfully borne the considerable burden of establishing a violation of law, all doubts as to the remedy are to be resolved in its favor" (*United States* v. *du Pont & Co., supra*, 366 U.S. at 334; see, also, *Ford Motor Co.* v. *United States, supra*). While the trial court has responsibility for framing the decree in the first instance, this Court has "never treated that power as one of discretion, subject only to reversal for gross abuse," but rather has recognized "an obligation to intervene in this most significant phase of the case" to assure that the relief is effective. *United States* v. *United States Gypsum Co., supra*, 340 U.S. at 89; accord, *United States* v. *du Pont & Co., supra*, 366 U.S. at 323.

The court below held that the appellees' agreements to restrain bulk sale of griseofulvin violated Section 1 of the Sherman Act and enjoined them from prohibiting resales of the product in bulk and from including bulk sales restrictions in licenses of drug

patents (J.S. App. 71–72).[11] But it refused to require appellees to sell griseofulvin on nondiscriminatory terms to all *bona fide* applicants and to grant reasonable royalty licenses under their griseofulvin patents because it concluded that such relief "would be inappropriate in the circumstances of this case" (J.S. App. 68). We submit, however, that these additional provisions are essential to achieve what is necessary to cure the violations found, namely, to provide effective competition in the griseofulvin market. Mandatory selling on specified terms and compulsory patent licensing at reasonable charges are recognized antitrust remedies in such circumstances. See *International Boxing Club* v. *United States,* 358 U.S. 242, 261–262; *United States* v. *Loew's Inc.,* 371 U.S. 38, 52–56; *Besser Mfg. Co.* v. *United States,* 343 U.S. 444, 447; *International Salt Co.* v. *United States,* 332 U.S. 392, 398–402.

A. MANDATORY BULK SELLING BY APPELLEES IS NECESSARY TO PROVIDE COMPETITION IN THE GRISEOFULVIN MARKET

The present condition of the griseofulvin market is that appellees' three licensees have virtually 100 percent of the business—as has been the situation since

[11] The decree prohibits restraints on the sale of griseofulvin manufactured by licensees as well as on griseofulvin which the appellees sell to licensees. The government asserted that this broad prohibition was needed on the ground that the bulk sales restraint ICI imposed on its licensee, AMHO, which applied to regular size and microsize griseofulvin, was a manufacturing restraint in addition to being a restraint on alienation, because AMHO bought regular size griseofulvin from ICI and then ground some of it up into the microsize product by a manufacturing process. See *supra*, p. 6, and App. 304–305, 397–399.

the drug was first introduced into the United States more than ten years ago. Glaxo and ICI have always refused to sell griseofulvin in bulk to generic and other independent drug firms. Moreover, by contract they have prohibited their licensees from making bulk sales without express written consent.

The licensees have exclusive distribution rights in the United States, and are the only domestic source of the drug. The effect of appellees' practice of refusing to sell in bulk and their contracts prohibiting the licensees from doing so has been, as would be expected, to exclude other sellers from the market. As would also be anticipated in such a market, all the licensees sold at substantially identical prices for distribution to retail druggists—equivalent to $416 per kilogram (for regular size) and $480 per kilogram (for microsize) (App. 222, 238). This is more than five or six times the $60 and $78 per kilogram that Glaxo and ICI, respectively, charged them (App. 63, 78).

The firms to whom appellees and their licensees refused to sell are small drug companies whose representatives stated that they could materially undersell the licensees if they were able to buy griseofulvin on the same terms as the licensees (see pp. 12–13, *supra*, and n. 19). The reason they can undersell, as the president of one such firm explained, is that they do not have the large advertising and production expenses of the licensees [42] (J.S. App. 67, n. 24). The latter are major

[42] The president of one of these small firms (Biocraft Laboratories) testified (App. 216):

> The reason that I sell at a substantially lower price than do the major brands is that it is necessary for me to do

so-called "ethical" drug companies, which sell drugs under extensively publicized trade names, rather than under the generic names for the same product that the small firms use (see p. 12 and n. 17, *supra*).[43]

The mere cancellation of the prohibitions in appellees' licensing agreements against the licensees selling griseofulvin in bulk holds out little likelihood of inducing the licensees to sell in that form. There is scant reason to think that the licensees, when freed from the prohibitions against bulk selling, would decide that their economic self-interest is [redacted] better served by selling in bulk than by continuing the existing closed market structure, in which the common practice of the appellees and their licensees of not selling in bulk has so far assured that the licensees obtained the product

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so in order to meet the propaganda of the major drug companies that their product is superior to generics. I sell "Brand X" in competition with a major brand name, where my Brand X is chemically identical, perhaps even superior, to the highly advertised competition, but because I am selling Brand X I have to sell it at a considerably lower price in order to get anywhere in the marketplace.

[43] See App. 216. For example, AMHO is the largest drug company in the United States, with total net sales for 1971 of $1.4 billion, and net sales of prescription drugs for 1971 of $568 million (*Moody's Industrials*, 1972, p. 1734; see App. 410 (1969 drug sales, $430 million)). Its Ayerst Division has a staff of approximately 450 medical detail men, who pay regular educational calls upon doctors to promote Ayerst's brands of various drugs so that "a demand [will be] created for their prescription and sale in the United States" (App. 356). See also R. Burack, *New Handbook of Prescription Drugs*, pp. 11–14; Hearings on Present Status of Competition in the Pharmaceutical Industry Before the Subcommittee on Monopoly of the Senate Select Committee on Small Business, 90th Cong., 1st Sess., pt. 1, at pp. 4–100, 347–383.

"packaged in a competition-free wrapping" (*United States* v. *Parke, Davis & Co.*, 362 U.S. 29, 47). Bulk sales would create new competition for them in selling to druggists and would lead to price reductions and presumably vigorous price competition where there has previously been none.

Just as one "is not obliged to assume, contrary to common experience, that a violator of the antitrust laws will relinquish the fruits of his violation more completely than the court requires him to do" (*International Salt Co.* v. *United States*, 332 U.S. 392, 400), so it is equally unlikely that the beneficiaries of the violation will voluntarily "relinquish the fruits." This is particularly so where, as here, they were knowing participants in the illegal practices; the licensees were aware that their agreements with Glaxo and ICI were essentially identical, and the Glaxo distributors jointly negotiated their licenses and jointly opposed Glaxo's licensing another drug company (*supra*, p. 14).

Only a guarantee that adequate supplies of griseofulvin will be available on reasonable terms will "pry open to competition" this market, which "has been closed by defendants' illegal restraints" (*International Salt, supra*, 332 U.S. at 401). The only way that such supply can be assured is by requiring the appellees to sell the drug in bulk on nondiscriminatory terms to all *bona fide* applicants.

B. COMPULSORY LICENSING OF THE GRISEOFULVIN PATENTS AT REASONABLE ROYALTIES ALSO IS NECESSARY TO CREATE COMPETITION IN THE MARKET

Although requiring appellees to sell griseofulvin in bulk would substantially improve the competitive situation in the market, it would not be enough to make the market truly competitive. To be adequate, the relief also should require appellees to grant nondiscriminatory licenses under the various griseofulvin patents at reasonable royalties.

The appellees are the sole source of all the griseofulvin sold in the United States, and purchasers in this country are completely dependent upon these firms. The appellees have licensed only three American firms: AMHO, which I.C.I. licensed under its method and product patents, and sublicensed on Glaxo's microsize patent; and Schering and J & J, which Glaxo licensed on its microsize patent and sublicensed on I.C.I.'s product and method patents (App. 97, 111, 149). These licensees do not themselves manufacture griseofulvin, preferring to purchase it in bulk from the appellees [4] (*supra*, p. 5).

Unless other American firms are licensed to manufacture griseofulvin, including its commercially more significant microsize form, competition in the United States market will depend entirely on the willingness of the appellees to supply their present licensees. Under the government's proposal for mandatory bulk selling by the appellees, they would be required to make such mandatory sales only as long as they sell

[4] However, AMHO pulverizes to microsize form the regular size or "coarse" product it purchases from Glaxo (App. 6).

griseofulvin in the United States.[45] If the appellees cease to sell in the United States, there would be no available source of the drug.

Although it might seem unrealistic to suggest that appellees would stop selling in the United States and abandon this profitable market, that possibility is not wholly conjectural. If, as we have urged, the appellees are required to sell in bulk, then the licensees may decide to manufacture griseofulvin themselves, as they are authorized to do under their existing licenses, rather than to continue to purchase it from the appellees. (They might also decide not to sell in bulk the drug they so manufacture.) In that event, the appellees might well conclude, in the exercise of their own independent business judgment, to stop selling themselves. The result would be that no other American seller could obtain the product—either by manufacture or purchase—and the market would remain just as noncompetitive as it has been for the past decade.

Compulsory licensing under the griseofulvin patents also is necessary in order to create competition at the manufacturing level. As long as ICI and Glaxo are the sole sellers, there is little reason to expect any significant price competition in bulk selling. Indeed, since

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[45] The bulk-sales requirement sought by the United States provides only that appellees must sell to any applicant for as long as they make or offer to make sales of griseofulvin to others in the United States (App. 259). The government has never sought, as an antitrust remedy, to compel these firms to sell in the market if they do not wish to do so. Rather, it has asked only that these violators sell on equal terms to all *bona fide* applicants if they sell to anyone, in order to assure a competitive market.

the microsize form of griseofulvin is the most commercially significant product, and since Glaxo holds the controlling patent on that size, there is virtually no likelihood of competitive pricing on bulk sales of that form of the product unless other domestic firms are able to obtain licenses to manufacture it.

"[I]t is settled that where necessary to restore effective competition, compulsory licensing at reasonable rates can be decreed."[46] See, *e.g.*, *Besser Mfg. Co.* v. *United States*, 343 U.S. 444, 449; *United States* v. *United States Gypsum Co.*, 340 U.S. 76, 94; *United States* v. *National Lead Co.*, 332 U.S. 319; *Hartford Empire Co.* v. *United States*, 323 U.S. 386, 417, clarified, 324 U.S. 570, 573–574. The reasonable royalty licensing sought here, which is closely similar to that decreed in *National Lead, supra*, 332 U.S. at 328, is required by the facts of this case.

C. THE GOVERNMENT IS NOT REQUIRED TO SHOW THAT, HAD IT NOT BEEN FOR THE ANTITRUST VIOLATIONS FOUND, APPELLEES' LICENSEES WOULD HAVE SOLD IN BULK

The district court refused to order appellees to sell in bulk and to grant patent licenses because the "evidence did not show" that the market situation resulted from the appellees' antitrust violations or that the appellees' licensing and sales practices were "covers" for the unlawful conduct. (J.S. App. 68). In its view, the government had not established a continuing conspiracy to prevent bulk sales of the drug, since "the

[46] *Report of the Attorney General's National Committee to Study the Antitrust Laws*, 255 (1955). See to the same effect the opinion of the court below (J.S. App. 65).

paucity of bulk sales of griseofulvin is equally compatible with the exercise of independent business judgment" (J.S. App. 68, n. 26).

That is not the correct standard for antitrust relief. The test is not, as the district court believed, whether the practices against which relief is sought are "inextricably intertwined" with the unlawful conduct found (J.S. App. 66),[47] but whether relief against those practices is necessary to restore or create competitive conditions in the market. Courts are "not limited to prohibition of the proven means by which the evil was accomplished, but may range broadly through practices connected with acts actually found to be illegal. Acts entirely proper when viewed alone may be prohibited" (*United States* v. *United States Gypsum Co., supra,* 340 U.S. at 88–89; see, also, *International Salt Co., supra; Ford Motor Co., supra; United States* v. *Loew's, Inc.,* 371 U.S. 38, 53).

As we have shown, the appellees' illegal prohibition against bulk sales was the foundation upon which the present non-competitive market rests. The market can be made competitive only if outsiders can get in, and they can get in only if adequate supplies of griseofulvin are made available to them.

In these circumstances, it is immaterial whether the appellees would or would not have sold in bulk had

[47] This test apparently was derived from the dissenting opinion in *International Salt Co.* v. *United States*, 332 U.S. 392, 403–404. The Court there rejected that standard, and has not used it since. See also note 48, *infra*.

there not been the illegal agreements. The inescapable facts are that there were illegal agreements, and that those agreements necessarily "materially contributed" (*Continental Ore Corp.* v. *Union Carbide Co.*, 370 U.S. 690, 702) to the present non-competitive market structure. No more is required to warrant compulsory selling and licensing which, as shown above (*supra*, pp. 45–51), is the only relief that would make the market competitive. This Court has never required the government to meet the "but-for" test the district court here applied, as a condition to obtaining relief against practices related to the violations found.

Indeed, it would be impossible now to determine what the market would have been like had there not been the illegal restraints. Those restraints have been in effect for the entire period griseofulvin has been sold in the United States. To make the scope of relief turn not upon what is necessary to restore competition in the market but upon an evaluation of what would have happened had the illegal practices not taken place, would involve the courts in an impossible inquiry that has no place in determining antitrust relief (see App. 230–231).[48]

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[48] In private treble damage antitrust litigation the Court has rejected that test. *Continental Ore*, *supra*; *Hanover Shoe, Inc.* v. *United Shoe Corp.*, 392 U.S. 481, 493 (referring to the "nearly insuperable difficulty of demonstrating that the particular plaintiff could or would not have raised his prices absent the overcharge"). Cf. *Mills* v. *Electric Auto-Lite Co.*, 396 U.S. 375, 384–385 and n. 7.

CONCLUSION

The portions of the judgment of the district court that refused to permit the United States to challenge the validity of the patents and to order mandatory sales and licensing should be reversed, and the case remanded to the district court for further proceedings.

Respectfully submitted.

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